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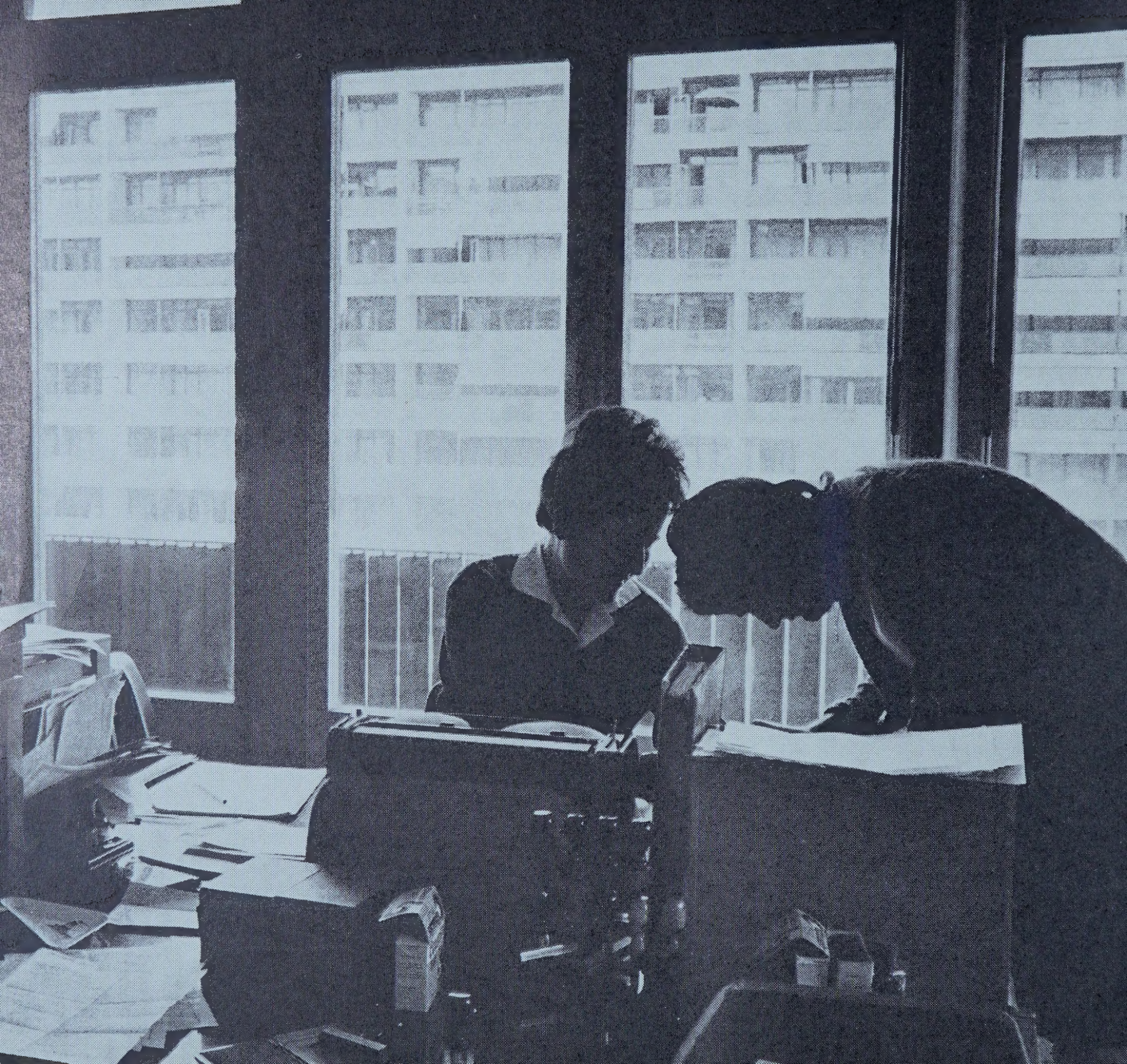
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Investors Overseas Services

Annual Report 31 December 1962

AUG 19 1963

I.O.S.





Investors Overseas Services

Annual Report 31 December 1962



Dear Stockholder:

The year 1962 has brought the most decisive and far-reaching developments in the history of our company. The year was one in which a number of basic projects were launched. All of these projects are meeting with even greater success than we hoped for.

The highlight of the year was the launching of *The IOS Investment Program*, enabling us to offer the public the most advanced, flexible and comprehensive Mutual Fund Investment Program available today. The new Program now enables IOS to participate in the earnings of management, as well as in those of a sales organization.

Our volume of business increased dramatically in 1962 to a total of US \$100,961,000, and two-thirds of our current business is in The IOS Investment Program. Costs in launching our new projects have been high; however, these projects are the basis for most of our future earnings. Earnings for the year were \$1.12* per share as compared to \$1.10* per share in the 1961 calendar year. Formula share value rose from \$10.24* to \$15.03* per share during the year. With successfully controlled costs, we can expect a substantial increase in earnings in 1963. If the pattern of increased business volume can be maintained, earnings should grow geometrically in the years ahead.

The enthusiastic acceptance of *The Fund of Funds* by our Associates and the general public has made mutual fund history. The Fund of Funds, after only seven months of operation, has assets of \$6,600,000 with over

\$35,000,000 subscribed under 10 and 15-year Capital Accumulation Programs plus \$7,500,000 in investments to come from Letters of Intent. Its net asset value per share is \$10.94, up 9.4% since the underwriting in October 1962. Everyone seems to be well agreed that in The Fund of Funds we offer the public a really superb investment vehicle.

The management of IIT, our *International Investment Trust*, was considerably enlarged and strengthened in 1962. The result has been a gratifying improvement in IIT's performance. In the first quarter of 1963, IIT outperformed most other mutual funds, both American and international. IIT presently has assets of \$4,500,000 with \$1,750,000 subscribed under Capital Accumulation Programs and \$600,000 to come from Letters of Intent. IIT's asset value per share is now \$4.17, an increase of 10.3% since the beginning of the year.

In 1962 we opened 19 new offices, bringing the total of our branch offices to 25, and we substantially increased our activity on every continent. By the end of 1963 we expect to have our administrative offices in Geneva consolidated and occupying the whole building at 119 rue de Lausanne. This should result in greater administrative efficiency and economy.

Our insurance subsidiary, *International Life Insurance Company*, began underwriting late in 1962 and already has \$22,500,000 in business on its books. No insurance

*Adjusted for two-for-one stock split effective July 1, 1962.

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company can be expected to make profits in its first few years, but ILI's business and earnings are both considerably better than we projected.

International Scientific Systems, our data processing affiliate which was launched in 1962, gives evidence of showing a profit in 1963, its first full year of operations. Even more important for IOS, International Scientific Systems is in the process of automating virtually every aspect of our business, which will result in considerably more economical and efficient operation. This new affiliate will very soon enable us to provide a unique service in the fields of corporate pension and profit-sharing, which should lead to increased future business.

Our United States-based subsidiary, *Investors Continental Services, Ltd.*, has just been awarded a contract by the United States Air Force to set up mutual fund sales offices on some 74 Post Exchanges (AFEX installations) throughout Europe, North Africa and the Middle East. There was keen competition for this contract from most other major mutual fund distributors. The Air Force awarded it to Investors Continental Services because it was considered that our firm was the best equipped to provide effective international service to U.S. Air Force personnel. We can confidently expect increased business through the AFEX system.

Our finance brokerage division placed \$10,800,000 in 1962, its first full year of operation. There is every indication that this volume of business will increase in 1963.

The organization has grown to over a thousand associates, supervisors and managers in the field, with an executive and administrative staff of 150 in Geneva and our branch offices. We have written nearly US \$300 million in mutual fund business since we began operations in 1956 and there is every sign that we will exceed our goal of \$150 million in business in 1963.

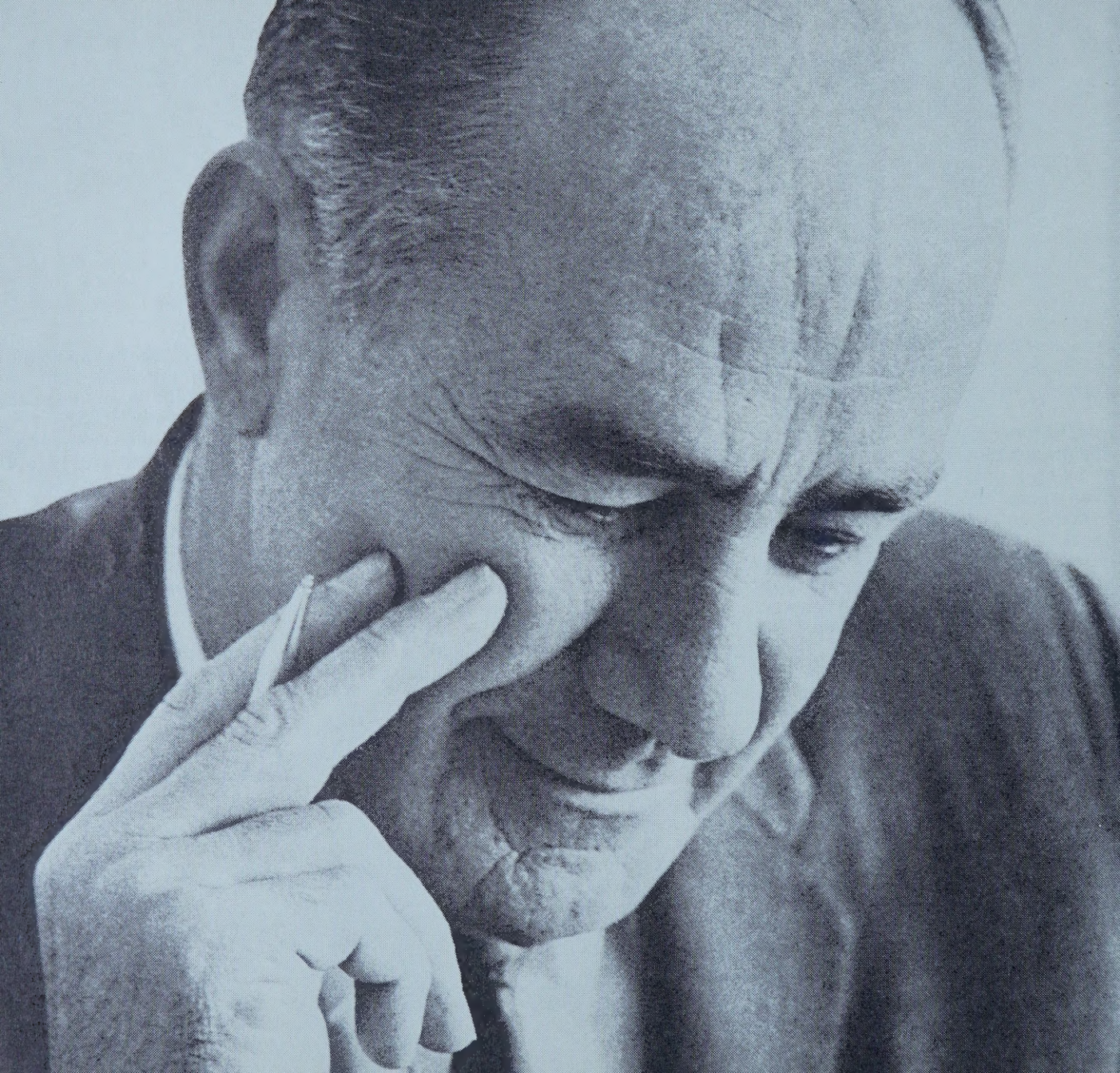
Let me take this opportunity to thank everyone connected with IOS for their conscientious efforts in serving the public, their enthusiastic loyalty to our firm, and the tremendous amount of hard work which has made our success possible.

All the signs point to a very rewarding 1963 for us all.

Cordially,



Bernard Cornfeld, *President*



Consolidated Balance Sheet

I.O.S., Ltd. (S.A.) and Wholly-owned Subsidiaries
 December 31, 1962
 (Currency: U.S. Dollars)

ASSETS

CURRENT ASSETS:

Cash on hand and in banks (Note 1)		\$533,802.04
Agents' accounts, debit balances	\$465,543.88	
Less: Reserve for doubtful accounts	(40,000.00)	425,543.88
Due from employees on stock options (Note 4)		102,840.11
Advances to officers and employees		59,293.24
Miscellaneous accounts receivable		17,421.58
Deposits and suspense accounts		14,588.18
Advances to branch offices and affiliates—		
Branch office revolving funds	\$27,740.06	
International Life Insurance Company, S.A.	16,194.86	
International Scientific Systems Ltd.	16,598.72	
Other	26,075.77	86,609.41
<i>Total current assets</i>		<i>\$1,240,098.44</i>

INVESTMENTS, at cost (Note 2):

International Life Insurance Company, S.A.	\$200,200.00	
The Fund of Funds, Limited	3,500.00	
Foreign Independent Travel Operators, Inc.	5,000.00	208,700.00

PROPERTY, LEASEHOLD IMPROVEMENTS, OFFICE EQUIPMENT AND AUTOMOBILES, at cost (Note 3)

Less: Reserve for depreciation	\$282,389.24	
	(50,967.50)	231,421.74

ORGANIZATION EXPENSES, being amortized over five years

110,712.01

PREPAID EXPENSES

31,774.23

\$1,822,706.42

LIABILITIES

CURRENT LIABILITIES:

Accounts payable—		
Vendors	\$33,405.76	
Other	4,579.00	\$37,984.76
Agents' accounts, credit balances		82,754.06
Agents' accrued commissions		128,321.17
Employees' hospitalization fund (Note 1)		7,052.21
IOS Investment Program—		
Subscriptions pending (Note 1)	\$280,803.13	
Insurance reserve and funds held in escrow	20,722.42	301,525.55
Accrued liabilities and deferred income		17,394.00
<i>Total current liabilities</i>		<i>\$575,031.75</i>

LONG-TERM DEBT:

Loans payable to banks on the purchase of office space (Note 3)	\$77,883.70	
Advances from I.O.S. Enterprises, S.A., an affiliate	81,102.09	158,985.79

CAPITAL STOCK AND SURPLUS:

Capital stock, authorized 250,000 shares all of which are of one class and without nominal or par value; issued and outstanding 186,360 shares (Note 4)		\$653,699.50
Earned surplus—		
Balance at		
January 1, 1962	\$226,961.72	
Net income for the year ended December 31, 1962, per accompanying statement	208,027.66	
		434,989.38
		<u>1,088,688.88</u>

\$1,822,706.42

The accompanying notes are an integral part of this statement.

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Consolidated Statement of Income
I.O.S., Ltd. (S.A.) and
Wholly-owned Subsidiaries
For the Year Ended December 31, 1962
(Currency: U.S. Dollars)

COMMISSIONS EARNED		\$3,647,735.67	
AGENTS' COMMISSIONS		<u>2,140,767.76</u>	
<i>Net commissions earned</i>			\$1,506,967.91
EXPENSES:			
Selling expenses	\$291,888.54		
Administrative expenses	714,028.99		
Branch office expenses	<u>367,254.29</u>	<u>1,373,171.82</u>	
			\$133,796.09
OTHER INCOME:			
Management and service fees	\$47,268.02		
Interest earned	12,345.29		
Miscellaneous	<u>14,618.26</u>	<u>74,231.57</u>	
<i>Net income for the year</i>			<u>\$208,027.66</u>

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements 9
I.O.S., Ltd. (S.A.) and
Wholly-owned Subsidiaries
December 31, 1962

(1) Cash in banks includes \$280,803.13 deposited with Swiss Credit Bank on subscriptions pending in connection with checks awaiting clearance for The IOS Investment Program. Also included in cash in banks is a deposit with International Credit Bank of \$7,052.21 in respect of a hospitalization fund in favor of the Company's employees.

(2) I.O.S., Ltd. (S.A.) subscribed to 15,900 shares of par value \$50.00 each or 79.5% of the authorized capital stock of *International Life Insurance Company, S.A.* (a Luxembourg corporation) which has been incorporated on February 10, 1962. At December 31, 1962, these shares were paid up as follows:

Total amount subscribed	\$795,000.00
Less: 80% not yet paid up on 14,870 shares	<u>594,800.00</u>
	\$200,200.00

During the initial period of its operations ended December 31, 1962, *International Life Insurance Company, S.A.* incurred a net loss of approximately \$80,000.00 of which the share of I.O.S., Ltd. (S.A.) amounts to approximately \$63,600.00. In the opinion of management, the operations of *International Life Insurance Company, S.A.* will be profitable in the future and permit a full recovery of this loss; accordingly, no provision therefor has been recorded on the books of I.O.S., Ltd. (S.A.) at December 31, 1962.

The Company owns all of the outstanding voting stock of *The Fund of Funds, Limited*, an open-end mutual investment fund, and holds a 50% interest in *Foreign Independent Travel Operators, Inc.* Based on the net assets of *The Fund of Funds, Limited*, at December 31, 1962, and its outstanding non-voting preference shares (185,536) and voting common shares (350) applicable thereto, the underlying book value of the Company's investment in *The Fund of Funds, Limited* at December 31, 1962, was \$3,545.50. With respect to the Company's investment in *Foreign Independent Travel Operators, Inc.*, the underlying book value is estimated as being not less than cost.

(3) I.O.S., Ltd. (S.A.) owns office space in Geneva for a cost of \$80,083.87. The purchase of such space was financed through bank loans aggregating \$77,883.70 at December 31, 1962. As security for the loan from Union Bank of Switzerland of \$39,511.60, the Company has deposited with that bank the certificates evidencing its ownership of the property; the other loan of \$38,372.16 from Arab Commercial Bank is guaranteed by International Credit Bank.



(4) On May 26, 1962, the Board of Directors declared a distribution in the nature of a stock split of one share for each share held of record as of July 1, 1962. In this connection, the stockholders approved an increase in authorized capital stock to 250,000 shares.

The Company has a stock option plan for sales personnel and directors and a stock bonus plan for executive and administrative personnel. Under the present stock option plan, an eligible person is entitled to purchase up to 1,200 shares at the time his sales of mutual fund securities have reached certain established levels.

Upon election as a director, such person may purchase another 1,500 shares. Subsequently, and provided that the previously subscribed 2,700 shares have been fully paid, a director may purchase an additional 2,300 shares.

The purchase prices for shares issued under the stock option plan are based upon a current formula price determined by reference to the net book value of the Company's shares, increased by the estimated future income applicable to business written and a formula value assigned to the Company's sales organization. Under the stock bonus plan, the Board of Directors may approve each year the issuance of shares to executive and administrative personnel as year-end bonuses.

As of December 31, 1962, under the stock option plan described above and other arrangements, the Company had stock option agreements with eight directors and associates for a total of 22,500 new shares, to be exercised at various dates to July 31, 1966 at prices ranging from \$5.00 per share to \$11.285 per share.

Company shares issued under stock option or bonus plans may not be transferred unless first offered to the Company which may repurchase the shares at the formula price as of the last quarterly computation. At December 31, 1962, there were 93,700 shares issued under the stock option plan and 4,760 shares under the stock bonus plan; the formula price at that date was \$15.03 per share.

To the Board of Directors and Shareholders,
I.O.S., Ltd. (S.A.):

We have examined the consolidated balance sheet of I.O.S., Ltd. (S.A.) (a Panamanian corporation) and its wholly-owned subsidiaries as of December 31, 1962, and the related consolidated statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Financial statements of certain subsidiaries included in the consolidated statements were not examined by us but we were furnished with reports of other auditors thereon.

In our opinion, based upon our examination and upon the reports of other auditors, the accompanying consolidated balance sheet and related consolidated statement of income present fairly the financial position of I.O.S., Ltd. (S.A.) and its wholly-owned subsidiaries as of December 31, 1962, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

ARTHUR ANDERSEN & CO.
Zurich, Switzerland
March 2, 1963

IOS	393 800	4 982 010
DREYFUS	75 000	2 841 740
OTHER	3 800	194 050
TOTAL	472 400	8 117 800

FOF		4 528 150
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LIT		237 800
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RIC		215 060
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YEAR	IOS	16 035 550
	TOTAL	26 854 420

TOTAL IOS		31 460 900
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CURRENT PRICES

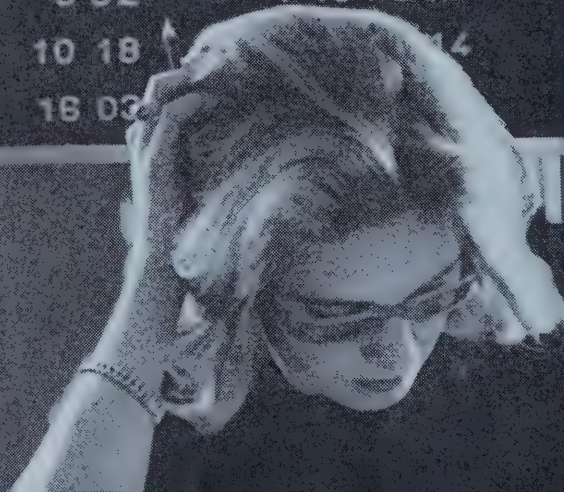
TOTAL ASSETS

FOF	\$ 10 45	4 555 717
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LIT	3 92	4 164 288
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RIC	10 18	14
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DRY	16 03	
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Sales Volume Based on Business Transmitted

Year	The IOS Investment Program*	Other Funds	Total
1956		\$1,205,300	\$1,205,300
1957		4,172,600	4,172,600
1958		7,234,654	7,234,654
1959		19,100,188	19,100,188
1960		33,747,328	33,747,328
1961		57,980,906	57,980,906
1962	\$15,642,570	85,318,446	100,961,016
Total business transmitted by IOS from inception to December 31, 1962			
	\$15,642,570	\$208,759,422	\$224,401,992

*Programs became available in October 1962.

Quarterly Summary of Capital Stock

	Shares Outstanding	Formula Net Worth	Formula Value Per Share
June 30, 1960	54,300	\$670,938	\$12.35
September 30, 1960	61,100	809,268	13.24
December 31, 1960	65,400	955,951	14.62
March 31, 1961	70,850	1,162,135	16.40
June 30, 1961	75,450	1,449,681	19.21
September 30, 1961	79,050	1,556,961	19.70
December 31, 1961	81,250	1,663,007	20.47
March 31, 1962	84,950	1,917,398	22.57
June 30, 1962	89,250	2,237,955	25.08
September 30, 1962	181,300*	2,416,571	13.33*
December 31, 1962	186,360	2,800,689	15.03

*Adjusted for two-for-one stock split effective July 1, 1962.

Computation of Formula Value Per Share

Capital and Surplus, as per Consolidated Balance Sheet	\$1,088,688.88
Unearned commissions on business transacted	865,000.00
Formula value of sales organization	847,000.00
Formula net worth	\$2,800,688.88
Shares issued and outstanding	186,360
Formula value per share	\$15.03

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Officers

Bernard Cornfeld, *President*
W. Thad Lovett, *Executive Vice President*
Allen Cantor, *Vice President*
Edward M. Cowett, *Secretary*
W. A. Bucci, *Treasurer*
Morton I. Schiowitz, *Assistant Treasurer*
Edwin T. Price, *Executive Assistant*
Douglas McKinnon, *Executive Assistant*
David James, *Training Director*
Eli Wallitt, *Field Director*

Executive Offices

119 rue de Lausanne, Geneva, Switzerland

Auditors

Arthur Andersen & Co.
Zurich, Switzerland

Counsel

Feldman, Kramer, Bam, Nessen & Cowett
New York, New York

Directors

Allen Cantor
Bernard Cornfeld
Edward M. Cowett
Lester Hayes
Victor Herbert
Jack Himes
Don Q. Shaprow
Gladis Solomon
Robert Sutner
George Tregoe

IIT Management Company (S.A.)
Managers: IIT, International Investment Trust
 C. Henry Buhl III, *President*

International Life Insurance Company, S.A.
Life Insurance Underwriters throughout the world
 Richard M. Hammerman, CLU, *President*

International Scientific Systems Ltd.
Computer Processing Service
 Kent Gordis, *President*

Investors Continental Services, Ltd.
Subsidiary in U.S. and Territories
 Hy Feld, *President*
 Richard Gangel, *Vice President*

I.O.S. Enterprises, S.A.
Finance and Brokerage Division
 Robert Nagler, *President*
 Ben Heirs, *Vice President*

IOS Management Company Ltd.
Managers: The Fund of Funds, Limited
 Bernard Cornfeld, *President*

Cover and inside front cover:
 Accounting and processing offices at Parc de Budé, Geneva.

Page 2: Bernard Cornfeld, President of I.O.S.

Page 6: W. A. Bucci, Treasurer of I.O.S.

Page 10: Robert Nagler, Executive Vice President of The Fund of Funds and Director of The IOS Investment Program.

Page 14: Eli Wallitt, Field Director, in conference with James Murray, Director of Personnel.

Inside back cover (top left to bottom right):
 C. Henry Buhl III, President of IIT Management Company (S.A.); Fred E. Zarb, Co-Manager I.O.S. Processing Department; W. Thad Lovett, Executive Vice President of I.O.S. enjoys a moment of relaxation with Gladis Solomon, Director; Programming for I.O.S. use of the IBM 7094, world's largest and fastest commercial computer; IBM Data Processing equipment utilized by I.O.S. at CERN (European Organization for Nuclear Research) in Geneva.

